

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Robert G. Taub, Chairman;
Tony Hammond, Vice Chairman;
Mark Acton; and
Nanci E. Langley

Competitive Product Prices
Global Expedited Package Services (GEPS)—
Non-Published Rates

Docket No. MC2018-186

Competitive Product Prices
Global Expedited Package Services (GEPS)—
Non-Published Rates 14 (MC2018-186)

Docket No. CP2018-260

ORDER CONCERNING THE ADDITION OF GLOBAL EXPEDITED PACKAGE
SERVICES (GEPS)—NON-PUBLISHED RATES 14 TO THE COMPETITIVE
PRODUCT LIST

(Issued July 9, 2018)

I. INTRODUCTION

The Postal Service requests that the Commission add Global Expedited Package Services—Non-Published Rates 14 (GEPS—NPR 14) to the competitive product list.¹ Request at 1. The Request includes a GEPS—NPR 14 model contract. *Id.* at 4; *id.*

¹ Request of the United States Postal Service to Add Global Expedited Package Services - Non-Published Rates 14 (GEPS – NPR 14) to the Competitive Products List and Notice of Filing GEPS – NPR 14 Model Contract and Application for Non-Public Treatment of Materials Filed Under Seal, June 22, 2018 (Request).

Attachment 4. For the reasons discussed below, the Commission approves the Request.

II. BACKGROUND

Initial Commission action. On June 25, 2018, the Commission issued a notice establishing the two dockets, appointing a Public Representative, and providing interested persons with an opportunity to comment.²

GEPS—NPR product history. The GEPS—NPR grouping offers incentive pricing to small- and medium-sized businesses that satisfy prescribed capability requirements and make a contractual commitment to generate minimum levels of revenue through the use of Priority Mail Express International (PMEI), Priority Mail International (PMI), Global Express Guaranteed (GXG), and First-Class Package International Service (FCPIS) products. See Request at 5. The Postal Service states:

GEPS - NPR 1 and 2 offered incentive pricing to small and medium-sized business mailers that satisfy prescribed capability requirements and that are willing to enter a contractual commitment to minimum levels of revenue from use of Priority Mail Express International (PMEI) and Priority Mail International (PMI) products. GEPS - NPR 3 through 7 offered such incentive pricing for not only PMEI and PMI, but also Global Express Guaranteed (GXG). GEPS – NPR 8, 9, 10, 11 and 12 offer such incentive pricing for not only GXG, PMEI, and PMI, but also First-Class Package International Service (FCPIS). GEPS NPR 13 offered incentive pricing only for PMEI, PMI, and FCPIS, as does GEPS NPR 14.

Id. at 5-6.

Under an approach developed in several orders, the Commission authorizes the Postal Service, following approval of a GEPS—NPR product, to enter into standard

² Notice Initiating Docket(s) For Recent Postal Service Negotiated Service Agreement Filings, June 25, 2018.

agreements and to file the executed agreements for review after execution, subject to several conditions.³ The latter include filing requirements, such as notice of the fact that the Postal Service has entered into a GEPS—NPR contract, the effective date, the termination date, and quarterly results. See *generally* Order Nos. 630 and 1161, as revised by Order Nos. 1333 and 2865.

The GEPS—NPR 14 product. The Postal Service proposes to create GEPS—NPR 14, due to its revision of the Management Analysis, financial model, and model contract for GEPS—NPR. Request at 6.

III. THE POSTAL SERVICE'S POSITION

The Postal Service asserts that the GEPS—NPR 14 model contract under consideration is similar to the GEPS—NPR 13 model contract reviewed in Order

³ See Docket No. CP2011-45, Order Adding Global Expedited Package Services—Non-Published Rates 2 to the Competitive Product List, December 30, 2010 (Order No. 630); Docket Nos. MC2012-4 and CP2012-8, Order Approving Postal Service Request to Add Global Expedited Package Services—Non-Published Rates 3 (GEPS—NPR 3) to Competitive Product List, January 20, 2012 (Order No. 1161); Docket Nos. MC2013-27 and CP2013-35, Order Adding Global Expedited Package Services—Non-Published Rates 4 (GEPS—NPR 4) to the Competitive Product List, January 16, 2013 (Order No. 1625); Docket Nos. MC2015-23 and CP2015-29, Order Adding Global Expedited Package Services—Non-Published Rates Contract 5 (GEPS—NPR 5) to the Competitive Product List, January 13, 2015 (Order No. 2320); Docket Nos. MC2015-23 and CP2015-65, Order Approving Changes in Prices and Model Contract and Adding Redesignated Global Expedited Package Services—Non-Published Rates 6 to the Competitive Product List, May 27, 2015 (Order No. 2513); Docket Nos. MC2015-55 and CP2015-83, Order Adding Global Expedited Package Services—Non-Published Rates 7 to the Competitive Product List, July 1, 2015 (Order No. 2558); Docket Nos. MC2016-5 and CP2016-5, Order Adding Global Expedited Package Services—Non-Published Rates Contract 8 to the Competitive Product List, October 23, 2015 (Order No. 2774); Docket Nos. MC2016-46 and CP2016-61, Order Adding Global Expedited Package Services—Non-Published Rates Contract 9 (GEPS—NPR 9) to the Competitive Product List, December 30, 2015 (Order No. 2967); Docket Nos. MC2016-97 and CP2016-122, Order Concerning the Addition of Global Expedited Package Services—Non-Published Rates Contract 10 (GEPS—NPR 10) to the Competitive Product List, March 29, 2016 (Order No. 3189); Docket Nos. MC2017-72 and CP2017-99, Order Concerning the Addition of Global Expedited Package Services—Non-Published Rates Contract 11 (GEPS—NPR 11) to the Competitive Product List, January 11, 2017 (Order No. 3746); Docket Nos. MC2017-105 and CP2017-152, Order Concerning the Addition of Global Expedited Package Services—Non-Published Rates Contract 12 (GEPS—NPR 12) to the Competitive Product List, April 20, 2017 (Order No. 3865); Order Concerning the Addition of Global Expedited Package Services (GEPS)—Non-Published Rates 13 to the Competitive Product List, February 28, 2018 (Order No. 4423); see *also* Request, Attachment 2C at 8-9.

No. 4423. *Id.* The Postal Service identifies the major differences between the two products to be in the Management Analysis, the financial model, and the rates. *Id.*

With respect to new rates, the Postal Service asserts that changes are authorized by Governors' Decision No. 11-6, which states that for Outbound International Competitive Agreements, such as GEPS—NPR 14, "management is hereby authorized to prepare any necessary product description, including text for inclusion in the Mail Classification Schedule, and to present such product description to the Postal Regulatory Commission."⁴

Section 3633(a). The Postal Service includes a Statement of Supporting Justification to support a finding that the GEPS—NPR 14 product's cost coverage will ensure that cross-subsidization of this product by market dominant products should not occur and demonstrates that the product should make an ample contribution to institutional costs, in addition to covering its attributable costs. Request, Attachment 3.

Filing and reporting practices. The Postal Service states that it will provide a copy of each GEPS—NPR 14 customer agreement to the Commission, along with the financial cost inputs used to generate the rates for the customer, and the effective date of each GEPS—NPR 14 agreement. Request, Attachment 2C at 8. Each GEPS—NPR 14 contract will bear a serial number, and subsequent information filed with the Commission concerning a specific contract will be filed with reference to the applicable docket and serial number. *Id.* at 8. The Postal Service further states that all contracts using the GEPS—NPR 14 model customer contract and the rates in the Management Analysis will be filed in a single docket and will be reported as a single competitive product in the appropriate Annual Compliance Report (ACR). *Id.*

⁴ *Id.*; see *id.* Attachment 2A at 1-2.

IV. COMMENTS

Comments were filed by the Public Representative on June 29, 2018.⁵ No other comments were received. The Public Representative concludes that the GEPS—NPR 14 product should be added to the competitive product list. PR Comments at 2. He states that the prices set in GEPS—NPR 14 contracts should generate sufficient revenue to cover costs and thus satisfy 39 U.S.C. § 3633(a). *Id.* at 2-3.

V. COMMISSION ANALYSIS

The Postal Service's Request presents two main issues: (1) whether GEPS—NPR 14 should be added to the competitive product list; and (2) whether the rates generated by the revised methodology presented in the accompanying financial model satisfy 39 U.S.C. § 3633(a) and 39 C.F.R. part 3015. Based on a review of the Request and the supporting documentation, the Commission approves the Postal Service's request to add GEPS—NPR 14 to the MCS and adds it to the competitive product list.

Inclusion within the competitive product list. The applicable criteria, under 39 U.S.C. § 3642(b), are whether the proposed product qualifies as market dominant or competitive; is excluded from the postal monopoly; and reflects several additional considerations related to the impact on private enterprises engaged in delivery of the product, the views of those who use the product, and the likely impact on small business concerns.

Other than the management analysis, financial model, and prices themselves, the instant filing is identical to GEPS—NPR 13 which, in Order No. 4423, was classified as a competitive product. See Request at 6. The Commission finds that these differences do not require reconsideration of the Commission's previous determination concerning product classification. See *id.*

⁵ Public Representative Comments on Postal Service Notice to Add Global Expedited Package Services Non-Published Rates 14 to the Competitive Product List, June 29, 2018 (PR Comments).

Cost considerations. The revised Management Analysis and financial model presented by the Postal Service in support of the GEPS—NPR 14 product indicates that rates are sufficient to cover attributable costs, and that the product is not being cross-subsidized by market dominant products and should make a positive contribution to institutional costs. Thus, based on a review of the Request, supporting data, and comments, the Commission finds that the rates for GEPS—NPR 14 contracts should cover their attributable costs (39 U.S.C. § 3633(a)(2)), should not lead to the subsidization of competitive products by market dominant products (39 U.S.C. § 3633(a)(1)), and should have a positive effect on competitive products' contribution to institutional costs (39 U.S.C. § 3633(a)(3)).

Conclusion. The Commission approves the inclusion of GEPS—NPR 14 (MC2018-186 and CP2018-260) within the GEPS—NPR product grouping in the MCS and as a new product on the competitive product list.

In connection with the new product, the Postal Service, consistent with Order No. 4423, will provide a copy of each GEPS—NPR 14 customer agreement to the Commission, along with the financial cost inputs used to generate the rates for the customer, and the effective date of each GEPS—NPR 14 agreement. See Request, Attachment 2C at 8-9. Each GEPS—NPR 14 customer agreement must be filed with the Commission within a reasonable time, e.g., 10 days of its effective date (including modified or renewed contracts).⁶

All contracts using the GEPS—NPR 14 model customer contract and the rates in the Management Analysis will be filed in a single docket and will be reported as a single competitive product in the appropriate ACR. Request, Attachment 2C at 8. In addition, each GEPS—NPR 14 contract will bear a serial number and subsequent information filed with the Commission concerning a specific contract will be filed with reference to the docket and serial number. *Id.*

⁶ See Docket Nos. MC2011-15 and CP2011-51, Order Approving Addition of Priority Mail—Non-Published Rates 1 to the Competitive Product List, February 3, 2011, at 8 (Order No. 661).

Non-Published Rates products such as the GEPS—NPR 14 give the Postal Service flexibility to enter into agreements that meet set conditions without seeking prior approval from the Commission. In light of the additional flexibility afforded to the Postal Service with these types of agreements, these associated reporting requirements are a critical part of the regulatory regime. The Commission cautions the Postal Service that failure to timely file individual contracts could result in the cancellation of such contracts by the Commission.⁷

VI. ORDERING PARAGRAPHS

It is ordered:

1. The Commission approves the proposed model contract filed in these dockets.
2. The Commission adds Global Expedited Package Services (GEPS)—Non-Published Rates Contract 14 (MC2018-186 and CP2018-260) to the competitive product list within the product grouping for GEPS—NPR in the Mail Classification Schedule. Revisions to the competitive product list and the Mail Classification Schedule appear below the signature of this Order and are effective immediately.
3. Changes in rates due to changes to the GEPS—NPR 14 model contract and/or changes to the financial model must be approved in advance by the Commission pursuant to 39 C.F.R. part 3015.
4. A copy of each contract, along with the financial model inputs used to generate rates for each contract, must be filed with the Commission within a reasonable time, e.g., within 10 days of the effective date of the contract.

⁷ See Docket No. CP2011-51, Order Requiring Additional Information, December 29, 2016, at 4 (Order No. 3714).

5. The Postal Service shall notify the Commission of the effective date of each contract. If any contract terminates earlier than scheduled, the Postal Service shall inform the Commission prior to the new termination date.
6. The Secretary shall arrange for the publication in the *Federal Register* of an updated product list reflecting the change made in the body of this Order.

By the Commission.

Stacy L. Ruble
Secretary

CHANGES TO THE PRODUCT LIST

The following material represents changes to the product list codified in Appendix B to 39 C.F.R. part 3020, subpart A—Competitive Product List. These changes reflect the Commission’s order in Docket Nos. MC2018-125 and CP2018-170. The Commission uses two main conventions when making changes to the product list. New text is underlined. Deleted text is struck through.

Appendix B to Subpart A of Part 3020—Competitive Product List

Negotiated Service Agreements*

Outbound International*

Global Expedited Package Services (GEPS)—Non-Published Rates

Global Expedited Package Services (GEPS)—Non-Published Rates 14

CHANGES TO THE MAIL CLASSIFICATION SCHEDULE

The following material represents a change to the Mail Classification Schedule. The Commission uses two main conventions when making changes to the Mail Classification Schedule. New text is underlined. Deleted text is struck through.

Part B—Competitive Products **2000 Competitive Product List**

Negotiated Service Agreements*

Outbound International*

Global Expedited Package Services (GEPS)—Non-Published Rates

2500

Negotiated Service Agreements

2510

Outbound International

2510.8

Global Expedited Package Services (GEPS)—Non-Published Rates

2510.8.7

Products Included in Group (Agreements)

Each product is followed by a list of agreements included within that product.

- Global Expedited Package Services (GEPS)—Non-Published Rates 14
Baseline Reference
Docket Nos. MC2018-168 and CP2018-260
PRC Order No. 4702, July 9, 2018
Included Agreements
